

VIDEO GAMING

VIDEO GAMING OVERVIEW

The video gaming industry is comprised of physical games & software; consoles; accessories; online games & software for mobile devices; and online games & software for consoles. The primary industry activities include developing, publishing, wholesaling, and retailing video game software, consoles, & accessories as well as providing online game subscription services. As the COVID-19 pandemic increased demand for products, revenue streams followed, and the industry currently boasts total revenue of **\$85.9 billion**, growing at a **CAGR of 14.3%** over the years 2016-2021. Online games & software for mobile devices and online games & software for consoles are the primary revenue generators for the industry, representing **37.9%** and **38.9%** of total revenue.

VIDEO GAMING OUTLOOK

So far in 2022, the video gaming industry has seen two of the largest M&A deals since 2016, with a combined deal value of \$81.4 billion. Consolidation in the industry is being experienced as significant players are leveraging acquisitions to fight for scale, intellectual property, and exclusive rights to popular game titles. Industry growth is expected to continue to outstrip that of most other industries in the U.S. as the introduction of new goods and platforms alongside wholly new technologies such as virtual reality and other creative social gaming formats, are likely to drive continued demand. Thus, over the next four years until 2026, industry revenue is expected to grow at a **9.4% CAGR** to reach a total industry revenue of **\$134.2 billion**.

KEY EXTERNAL DRIVER #1

Participation in Sports:

Individuals with plenty of free time, such as adolescents and students, have traditionally been the major demographic for video games. As more people participate in outside activities and sports, they are less likely to spend time indoors playing video games. However, sports participation is expected to continue declining, in part due to the lingering pandemic. This poses an opportunity for the industry to further product innovation by identifying the most viable ways to expand product offerings or upsell to its current users.

KEY EXTERNAL DRIVER #2

Per Capita Disposable Income

Video games are considered a discretionary/leisure item. Consumers are more inclined to spend money on video games when their disposable income grows. When disposable income diminishes, customers are more inclined to postpone purchases of video games. Per capita disposable income is predicted to rise. Additionally, the entertainment value offered by video games cost less per hour compared to alternative leisure activities, further encouraging higher spending.

KEY EXTERNAL DRIVER #3

Consumer Confidence Index

The Consumer Confidence Index (CCI) measures consumer perceptions of the current economy as well as their predictions for the coming months. When consumers have a relatively positive outlook on the economy, they are more inclined to buy discretionary products such as video games. The CCI is anticipated to rise, posing an opportunity for the industry to roll out any trial offerings or innovative products while the customer base has positive spending perceptions based on current economic outlook.

PROJECTED ANNUAL REVENUE 2019-2026* US\$ BILLIONS



CONCLUSION

As the market is consolidating and is set to continue growing at a CAGR of 9.4% until 2026, the video gaming industry is in a prime position for market leaders to differentiate their product offerings which in turn stimulates greater industry innovation in effort to entice customers to continue purchasing, moving to, or utilizing new systems and games. It may certainly become increasingly vital to be the first to debut a new product in order to capitalize on customer desire for new platforms while the consumer base remains primarily indoors, CCI is relatively positive, and the per capita disposable income is on the rise.

ABOUT BARDI CO.

Bardi Co. is an investment bank and asset manager implementing the highest standards of quality, analytical rigor, ethics and insight. Bardi Co. differentiates itself from other firms through technical sophistication, persistence, good judgment and a unique international cultural understanding. As investment bankers, the firm specializes in M&A advisory services, both sell-side and buy-side, as well as capital raises for middle market companies. As asset managers, the firm focuses primarily on corporate clients, offering extensive insight and expertise across traditional investment styles as well as hedge fund strategies.

Copyright © 2022 Bardi Co. LLC, investment bank. All rights reserved. Redistribution or reproduction in whole or in part are prohibited without written permission. This document does not constitute an offer of services in jurisdictions where Bardi Co. LLC or their respective affiliates do not have the necessary licenses. All information provided by Bardi Co. LLC is impersonal and not tailored to the needs of any person, entity or group of persons.

These materials have been prepared solely for informational purposes based upon information generally available to the public and from sources believed to be reliable. No content contained in these materials or any part thereof ("Content") may be modified, reverse-engineered, reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of Bardi Co. LLC. The Content shall not be used for any unlawful or unauthorized purposes. Bardi Co. LLC does not guarantee the accuracy, completeness, timeliness or availability of the Content. Bardi Co. LLC is not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. In no event shall Bardi Co. LLC be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.